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Commercial Crisis

IN
NEWFOUNDLAND.

Cause, Consequences and Cure.

By JAMES MURRAY.

KX-M H. A.

ST. JOHN'S, N. F.

J. W. WITHERS, QUEEN'S PRINTER

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WHAT CAUSED THE COMMERCIAL CRISIS?

BY JAMES MURRAY, EX-M. H. A.

I HAVE been asked to set forth my views as to the causes which led up to the general commercial crisis and bank panic that occurred here on the 10th of December, 1894, which I shall do as succinctly as the complicated nature of the subject permits. I shall discriminate between the bank failures and the commercial collapse, because, although both these events are intimately connected, and both culminated at the same time, they are in themselves essentially different, and but for purely accidental circumstances would not have occurred together.

1. *As to the Commercial Crisis*; which lay behind the Bank failures, and which, while it was the substantial cause of them, only came to light as a consequence of the latter.

The history of the decline and fall of the Fishery Supplying trade in Newfoundland is not of yesterday, and the causes which gradually led up to it extend over many years. Before examining these causes in detail I wish to be emphatic on the point that the decay of the Supplying System, and that alone, is responsible for the general commercial crisis we are now considering. To persons outside of this Colony not conversant with the peculiarities of our commerce it might suggest itself that our fisheries had failed, that our land crops were unfruitful, that the relation sustained to the Fishery or Supplying business by other trade interests, or by other class interests, might have been responsible, in whole or in part, for the general collapse. But except in so far as the latter were indirectly dependent upon the success of the general Fishery trade, they were not affected, and did not affect it.

I start out with the general theory that the Supplying System as a mode of carrying on the Fisheries is inherently, and in itself, *an unsound system of doing business*. Here I do not propose to discuss the evidence of its unsoundness. I have recently done so elsewhere. But there was a time in the history of this Colony when the Supplying System might have been conducted with commercial success. I consider

that time no longer exists; and the history of the recent failure of the Supplying System is really nothing more nor less than a tracing of the changes which have brought about this alteration in its position.

To make clear what I am about to detail let me state right here that the natural exigencies of the Supplying System, carried out to their logical conclusion, require that this island should be the exclusive property of one Supplying firm, which should employ the able-bodied productive population in carrying on the fisheries of the island, under such close or exclusive rules, or legislation, as would preclude all that we know under the names of commercial competition and the modern rights of civil citizenship. In short, to make the Supplying System a success, implies Newfoundland as a fishery plantation, under surrogates and fishing admirals, as in the sixteenth century.

The first great commercial change within my experience that struck a death blow at the Supplying System was the introduction here of steamers as ordinary freighters of provisions between this country and the American continent. Prior to that, every merchant who imported provisions loaded a sailing vessel of his own, and had a kind of monopoly in its cargo. When steamers were put on at low rates of freight, after it became general to supercede sailing vessels by steam carriers built mainly for freighting purposes, every small dealer could import his own twenty or fifty barrels of flour, instead of buying them of the local merchant. The steam freighters, in short, became distributors, and broke up the monopoly of the larger capitalists all over the island.

The next step of commercial progress, and one that naturally followed the other, was the introduction here of the practice of selling flour and other provisions on the c. f. i. principle. This gave a further blow to the old Supplying System, by bringing the miller of Ontario into direct commercial relations with the smallest retail dealer in St. John's.

Next we find this advance followed up by another step of progress that it naturally suggested. That was the arrival here of special agents, who went all over the island, and into the remotest outharbor, placing the small independent external trader on the same plane of advantage as the largest Mercantile capitalist in the metropolis. These changes substantially meant the introduction and general diffusion of THE CASH SYSTEM in Newfoundland.

What were the practical effects of these important changes upon the Supplying business?

In the first place the outport fisherman or resident who wasn't independent enough, or could not command the cash, to buy his barrel of flour from the trader who sold for cash, felt discontented, and without reflecting that he was an average member of a System that dealt in averages, he thought he ought to be put on a cash basis and enjoy all the advantages of such. In effect he wanted twelve months' credit without paying any interest for it. He expected to live as cheaply as the most independent individual in the community, *i e*, the cash purchaser, and at the same time enjoy all the incidental advantages of belonging to the old system, which insures itself against the dishonest dealers by charging long prices against all.

This discontent bred in the nineteenth century dealer under the Supplying System a new step of deception, namely, he gradually learnt to sell enough of his fish for cash to buy such things as he could thus get cheaper than from his Supplying Merchant. In this way the latter gradually fell into this plight: He got only the poorer men to deal with, men who hadn't capacity enough to acquire independence, or, if he got better men, he had to bring down his prices to an unpaying basis; and, which or whatsoever he did, he was constantly confronted with the impossible conditions of the newly-diffused cash system, which said to him as plain as the nose on his face,—‘I'm here to ruin *you*, and the sooner you realise that fact and clear out the better for you.’

This in few words was the position. It is the old story all over again of an ancient, once honorable, and affluent interest crowded out before the strident aggressiveness of a hard democracy—before the inexorable facts of Nineteenth Century ‘progress’—before the snort of the steam-engine and the throb of the railway. “The old order changeth,” whether we sleep or wake, and the collapse of our ‘Black Monday’ was simply the waking up from their Rip Van Winkle slumbers of the ‘old timers’ belonging to the Supplying System whom the railway revolution of 1882 had not already exterminated.

In considering this subject elsewhere I have stated that in my opinion our Supplying Merchants were in precisely the same financial position as they are now in at least twelve

years ago. I select that particular date because it was in 1882 that we adopted the railway policy, which made such a marked 'new era,' not only in our political, but also, as I shall show, in our commercial life as well.

The first two years after that date, 1882 and 1883, were comparatively good years with the general trade of Newfoundland, as might have been expected in a relatively small community by the expenditures in connection with the construction of the railway. Then came the reaction of 1884 when the Banks first began to go back, and this decline has steadily continued ever since that time.

Our seal fisheries have notoriously failed during the past ten years; the newly-revived Bank fishery has again been practically abandoned, not so much from the scarcity of fish, as because this mode of fishing was either too expensive or was not understood sufficiently to be carried on with success by Newfoundlanders. The Labrador fishery, which was always a delusive industry from a commercial point of view, and is only valuable as supplementary to the shore fishery, when the latter declined, ceased, also, to be remunerative on its merits as an independent enterprise.

Then again new arrangements and modes of doing business, such as are always occurring in connection with the commerce of every country, have intervened to draw off the attention of our people from our Fisheries. There is nothing a Newfoundlander will not sooner do than go fishing; and the only chance to get that done as a successful industry is by excluding all other modes of industry along side of it. The introduction of railway labor, for instance, unsettled the minds of the men who engaged in it, and, in certain sections of the country these men never went back to the Fisheries. The introduction of the Lobster canning industry had a similar effect; fishermen who engaged in it lost their gear, and practically abandoned their calling as ordinary fishermen. Mining industries have the same effect; whatever value they have as helping the general labor market they are no help to the Fishing industry nor to those engaged therein. The introduction of steamers very generally in our Bays and along our coasts has also helped in the same general direction, namely, by diverting the men's minds from the Fisheries and giving some of them incidental employment for cash at other pursuits. Any one of these separate distractions in itself may be trifling, but combinedly they have

all battered their forces against the ancient standard, the business of the country; all have helped to sap away the foundations of the Supplying System.

I will next consider briefly the practical effects of the Supplying System when unsuccessful on the actions of the merchants and fishermen respectively.

When a dealer gets an advance from a merchant on the strength of the current voyage, he has the latter in his power and knows it. If an honest man, such knowledge will not affect his action, of course, but the position has a natural tendency to suggest dishonesty in the minds of all men. If the turning point of the voyage shows that the latter is likely to be unsuccessful the dealer knows that there will be no balance coming to him anyway, that he will only get *his living* out of the current voyage, and that, therefore, any *extra* exertion will not inure to his own advantage. In that event the voyage is practically abandoned on its merits from a comparatively early date; and, whether ultimately abandoned as unsuccessful or not, *every voyage has the menace of such a possibility constantly hanging over it.*

As to the effect on the merchant, when the latter gets into financial straits he has to buy fish at whatever price the market dictates, in order to keep up his foreign remittances and save his credit. In such a conjunction as recently existed here, the merchant is vitally interested in keeping down the price of fish, and enters into a local combination for that purpose. Such a combination, while limiting the price in the local market, also operates to depreciate the value of the article *in all markets*; for, as the foreign purchaser takes pains to know what price is being given in Newfoundland, he so bases his prices on the latter as to avoid giving any more for the fish than the extra cost and charges of exporting it to the foreign market. Thus a false or depreciated value in the local or Newfoundland market really depreciates the value of our codfish all over the world, without correspondingly helping any one, unless it may be the foreign consumer.

I am next going to make a statement, and an extreme one, which at first sight will seem to conflict with the foregoing remark. It is this:—For years we have been paying through the Newfoundland Supplying trade about \$8 per quintal for the fish caught here, and receiving for the same article about or less than \$4 per quintal. These figu-

res are rough and only relative, for the sake of comparison. How do I account for the apparent paradox? In this way! The difference consists in *waste*—the waste incident to the Supplying System, by reason of the dishonesty of some dealers, the incapacity or misfortunes of others, the indolence of yet others, and the absence of heartiness or comity on the part of all. This incidental waste is the inevitable accompaniment of the average system, and may be briefly accounted for by the consideration that the average principle in that system is untenable in face of the fact that, while its success depends on the hearty co-operation of the dealers as a class, every individual dealer not only practically repudiates it, and tries to evade it, but actually makes its existence a grievance, sufficient, in his opinion, to justify him in any and every effort to defeat the Supplying Merchant, and outwit the operation of that very principle on which his success depends.

Here, then, we have this extraordinary anomaly, which the records of industrial economy must be searched in vain to parallel, of a business co-operative system dependant for its success upon the good-will of persons every one of whom is, in the nature of the case—that is, in obedience to the natural law of self-interest—fighting against it. A system, moreover, which has outlived the temporal, social and economic conditions which once made it successful. And, lastly, a system so inherently unsound, from a moral point of view, and as an evolutionary process, that every stroke and movement of progress in the general industrial world around it is not only a general stroke and movement against it, but a special instrument for turning more acutely against it that particular principle inherent in itself which is already the cause of its unsoundness and decay.

If instances and examples of these fundamental facts are needed they can be furnished in volumes—and hecatombs of volumes—from the experience of every Supplying Merchant in Newfoundland. As to its chances of commercial success, the foes of the system—natural and incidental—are now so numerous that gambling blindfold on the Turf, or taking long odds against the bank at Monte Carlo, are a safe enterprise and investment when compared with it. And the worst feature of the thing, after all is said and done, is the fact that it makes bad men, bad citizens or communists from an economic point of view, and a bad—that is, an unsound and

perilous—condition of society as a whole. This is the indictment the state has against it:—its failure ethically and economically: and every advancing year—every forward movement of general progress—drives home that indictment with ever-increasing and relentless force. As I have already said, the system requires for its success a perfect monopoly of some selected area of operations; for its subjects a class of men who are ideally honest and in perfect harmony with the System itself: and for its environment such a total exclusion of all the ever-expanding features, conditions and consequences of human advancement, that in modern times its successful survival is an absolute impossibility.

Perhaps the utter heartlessness and want of comity of the System is best seen by one striking feature in it of so hideous, detestable and unnatural a character, that, to name it ought to be sufficient to settle the question as to the true nature of the System as such in the mind of any rational or intelligent man. It is this, that if any accidental circumstance, however unmerited on his part, happens to the Supplying Merchant, to indicate mercantile weakness, unsoundness or inability to continue business, such an accident seals his doom with his dealers as surely and inexorably as if he were the wounded member of a pack of carnivora. His effects disappear; his assets, in the shape of outstanding debts, melt away from meridian to zero. Even his fellow-merchants and rival traders in the locality of his operations aid his dealers in their efforts to rob him, and his estate becomes suddenly transformed from a vineyard into a graveyard. Thus the death of a personal Supplier is full of peril to his estate; and therefore those who give him credit, aware of this ghastly fact, do not always feel safe in doing so unless the extra-hazardous risk is covered by a policy of life insurance. Thus the System, the natural tendency of which through life is to devitalize and prematurely destroy the very central principle and factor of its own life, completes its logical heartlessness by causing its subjects to scuttle away into thievish dens from the dying bedside of their benefactor, and by leaving him at last to fill a lonely and deserted grave. Could anything write its epitaph more eloquently, or carve its character more incisively, than the melancholy mercantile monuments with which it has strewed this Fishery island?

Let us look at the actual practical facts in this connection. But one large supplying house survived the crash of 1894.

The extensive supplying house in Harbor Grace that affords fishing facilities to the greater part of Conception Bay, has been largely dependent upon outside financial aid for many years, without which it could not have carried on its business. Yet this firm was once worth £100,000, at least. The large supplying house of P. & L. TESSIER, which went down two years ago, was left, about ten years before, by its originating proprietors, with a capital of £80,000. Another large firm—that of J. & W. STEWART—voluntarily withdrew from business about the same time at great sacrifice, and assumedly to escape the entire loss of its means in Newfoundland. If we survey the line of coast from Point May to Cape Ray, we shall find it strewn with the wrecks of old supplying houses that have gone down before the blast. But one of these old houses yet survives—that of NEWMAN & Co., of Harbor Briton and Gaultois—and its proprietors have for some years past entertained the idea of closing up one or both of these establishments. The names of large fishing concerns on our south and west coasts, now defunct, that were once in active and flourishing operation, would fill a page of this pamphlet. The writer remembers the late MR STEPHEN RENDELL referring to a year in the history of the old and wealthy house with which he was connected for so many years, as being on the point of closing up its Newfoundland business in the “sixties”; and the last active managing partner of the now extinct firm of J. & W. STEWART—the late MR. ROBERT ALEXANDER—lost all his means the first year or two after he was admitted to an interest in that firm. These facts, and other explanatory incidents that throw sidelights upon the situation, might be multiplied a hundred fold were they not so eloquently, so impressively, known—in fact, *engraved*—in the sorrows, losses, relicts and derelicts of every ever-populated settlement in this Island. In fact, the strands of our Island are strewn with bones—the bones, not of vigorous business life attended by incidental but comparatively trifling losses, but of a business life that was once flush with all the ensigns of active health and bloom, but is now stagnant, inert, dead—consumed away with dry rot, (to alter the figure), moulded into fungus and posthumous decay.

The known facts with regard to *the profits* of the supplying fishery trade—of modern and old-time experience, respectively—are abundantly confirmative of these general

conclusions. In the palmy days of the Brazil trade, before telegraphs and railways had minimised profits all over the world, it was not uncommon for a shipping firm in Newfoundland to clear from £3,000 to £5,000 stg. on a single cargo of dry codfish in drums. A pound stg. per drum (112 to 128 lbs.) was not unfrequently made on the cargoes of our fine clipper Newfoundland barques, brigs and brigantines, that were kept up in first-class trim for the purpose of running our great staple to the consuming markets in good shape. Where now are the immense fleets of these vessels—the *Meteors*, *Balcluthas*, *Petunias*, *Ethels*, *Hermiones*, *Ranunculus*, &c., &c., that were the pride and boast of thousands of seafaring families in St. John's alone? and whose comings and goings made up the annual calendar, not only for their immediate owners, but for a whole islandful of bright eyes and bounding pulses, that "took an interest" in our mercantile marine.

The same general conclusions can be arrived, at and constructively proved—*i e.*, as to the failure of the Supplying business as a commercial enterprise—in another way, namely, by considering the quantity of Fish and its products exported hence at various dates, in connection with the growth of our population. The employments of the latter not being increased or varied to any great extent, it follows, as a matter of course, that if the quantity of Fish, &c., annually produced has not materially increased, while the population has doubled, trebled and even quadrupled meanwhile, our wealth as a whole cannot have increased. If, in connection with this, we find that the contributory portion of the annual product required, in the shape of taxes, for the mere expenses of internal government, has also increased—not only with the growth of population (which we might have expected) but in a surprisingly rapid manner *per capita*, then we would have little reason to doubt that the trade of the country, exposed to such a heavy strain, must, of necessity, have lost its profits.

The evidence of these is to be found in the ordinary statistics relating to population, production, revenue and expenditure for the current century; facts that are easily accessible nowadays, and available to all. Thus, without cumbering the page with perplexing figures, we arrive at the following facts:—

FACT 1.—That the annual value of the export productions of this Colony, Fish and all other, now fluctuates between six and eight millions of dollars. One hundred years ago it fluctuated between five and six millions. The export production per capita has thus fallen from \$120 to about \$30.

FACT 2.—That the ordinary public taxation of the Colony has risen from zero to \$2,000,000 per annum, and during the last TWELVE years has increased from \$4 to \$10 per capita.

FACT 3.—That the public debt of the Colony has increased in the same time from \$10 per capita to \$100 per capita, made up as follows:—

Due Savings' Bank Depositors...	...	\$ 3,000,000
Due Bank Note-holders ...	...	1,200,000
Funded and Floating Public Debt ...	...	12,000,000
Year's deficit 1895 ...	...	1,000,000
Ditto 1896 and 1897 ...	...	2,000,000
Outstanding Liabilities ...	...	800,000
		<u>\$20,000,000</u>

FACT 4.—That the total capital invested in the Fisheries of the Colony for carrying on the same does not exceed eight to ten millions of dollars, *one-half of which is the property of, and is immediately payable to, the middle classes.*

FACT 5.—That of the annual earnings of the whole population, as exported, from ONE-THIRD to ONE-FOURTH is required for the ordinary expenses of carrying on the government.

FACT 6.—That the whole commercial capital of the Colony is thus absorbed (or an equal amount) every four or five years.

FACT 7.—That NINE-TENTHS of this governmental expenditure is made in St. John's, inhabited by only ONE-TENTH of the population.

FACT 8.—That the position of an average independent producer and his family (five in all) in the early part of the century as compared with now, is as follows:—

Then	Year's earnings	...	...	\$600
	(Less year's taxation	...	...	15
				<u>\$585</u>
Now	Year's earnings	...	...	\$150
	(Less year's taxation	...	...	50
				<u>\$100</u>

Confirmation of these facts in detail will be found in the pages appended at the end of this pamphlet.

The contrast between the state of affairs as regards our public finances any time prior to 1882 and the present is so glaringly startling that it cannot fail to fix the attention of all persons conversant with the usual modes of arriving at the economic conditions of a country. Thus, assuming that all earnings, all taxations, and all accumulations are equally distributed, we arrive at the fact that in the first half of the closing century the average inhabitant of Newfoundland earned one hundred and twenty dollars a year at his calling, out of which he paid a gradually increasing sum of taxation up to about THREE DOLLARS, which sufficed to prevent the accumulation of any public debt against the Colony. Were that man living to-day he would find himself earning THIRTY DOLLARS annually, out of which he would pay ten dollars of taxation per head of his family, and that he would represent ONE HUNDRED DOLLARS of PUBLIC DEBT to be paid by somebody that comes after him.

This general conclusion we may justly draw from the very altered economic circumstances of older times, namely, that a large percentage of the annual earnings of the people, not being required for their current necessities, became accumulations. These accumulations (properly called 'profits' in the true use of that term,) either remained in the hands of the common people, or remained in the hands of the capitalists of that time, or, which is most likely, partly both.

How did this accumulation of capital manifest itself to the ordinary observer?

In the case of the capitalist or Supplying Merchant, he would buy or build ships, take on more dealers, improve his premises, or else perhaps send part of the money out of the country and invest it elsewhere. Or, taking note of other articles that could be made in the country, he might join with others to start factories, &c.

In the case of the Fisherman or Planter, he would repair his boats, paint his house, take in some more garden ground, or take on more sharemen. Or he would put a few hundred dollars in the Savings' Bank, or perhaps take a share in a banker, or buy a cod-seine, or what not. *It is easy to see when a man or a settlement is prospering, without banks or book-learning, and, alas! the signs of decadence are equally apparent.*

How many fortunes have been lost on the Southern Shore of this island during the past five and twenty or thirty years? Where are all the wealthy independent planters of Brigus, Bay Roberts, Carbonear, Harbor Grace and Trinity Bay? Admitting that the Northern part of the island is, so far, most untouched by the gnawing tooth of decay, yet from Cape Bonavista to Cape St. John, a coast line of less than a hundred miles, including the most secluded part of the island remaining, and from Connaigre Head to Cape La Hune, or the secluded Hermitage Bay, a span of less than fifty miles, covers all that remains of profitable value to us as a Fishing Colony, and even these limited areas would have been destroyed long ago by the encroaching artifices of man were they not so bulwarked all around by protecting fastnesses that they cannot so readily be invaded.*

I have made the year 1882, when the Railway was introduced, a crucial date in the present retrospect. *That* was the date and *that* the event which, in my opinion, converted our finances from a sound to an unsound condition, and at one leap revolutionised the economic position in Newfoundland. It is useless now discussing the motives which led us all to enter upon an experience so new, so expensive, so divergent from our ordinary habits and wants, and at the same time so irretrievable in its results for good or evil. We were beset at the time with commercial embarrassment in the private fishery trade of the country, which seemed to indicate—and in fact did indicate—that we had reached our limitations in that direction. It was for us then to decide, at the parting of the ways, which path we would take. Would we elect to see our young population leave us as they reached maturity, to settle in more favored lands, while we, the older ones, lived here in the old home in a humble way, avoiding all unnecessary expenditure, and fulfilling our natural manifest destiny as a Fishing Colony? Or, would we branch out under the banner of PROGRESS and try this new way into newer enterprise, larger fields of land exploration, and, possibly, the founding of a grand new Colony on agricultural lines, if not also of a Newfoundland highway between the two great continents?

Well, the idea was good, and so also, no doubt, was the motive. The question is have we reached a temporary halt

* Of course this does not take in the French Shore or Treaty Coast.

only in the great pilgrimage, or are we stranded, so to speak, and landed in a mistake?

This question I must leave each reader to settle for himself, and according to the texture of his own mind. The two views of it may be taken very legitimately by different persons, and will doubtless be so taken.

The adult male population, according to the census of 1891, between 15 and 75 years of age, was 58,819. If we deduct from that number 9,871 persons said to be engaged in other employments than the fisheries, and 10,698 youths between 15 and 20 years old, we have 38,250 prime fishermen remaining. But, as many youths between 15 and 20 years of age are able fishermen, we may assume that the total number of this class now in the Island ranges from 40,000 to 50,000 fishermen. According to the Rev. PHILIP TOCQUE, there were about 40,000 fishermen in Newfoundland in the year 1836, when the export value of fishery products was a little under a sum equal to \$4,000,000, when the total revenue (1843) was "between £40,000 and £50,000, of which £30,000 was spent in making and repairing roads." No public debt, and the year's earnings being those of a fair average year. So that, at any time prior to 1843, the average fisherman's family of five earned \$500, out of which he had to pay about \$5 for taxes, and had no share of public debt. Now the average fisherman, *in his capacity of export producer*, probably earns as much per family as he did then, but he has to pay \$10 for annual taxes, and has \$400 per capita of debt hanging over him.*

I cannot find, therefore, that our serious commercial and financial difficulties proceed entirely, or in any marked degree, from the much-talked-of "failure of the fisheries," or that it is the result of extravagant living and expenditure in the outports of this Island. I am deliberately of the opinion, and all the figures relating to the subject bear me out in the conclusion, that our present difficulties proceed alone from two distinct causes:—

1. Our extraordinary expenditure in connection with railways.
2. Our extravagant civil expenditure in St. John's.

* The figures in this paragraph apply to the fishermen only; in a previous paragraph the calculations were those applied to the whole population as assumed producers.

The whole volume of testimony goes to show that there has been an abnormal and monstrous growth—fungus growth, we may call it—of idle and (comparatively) luxurious intermediary classes, who, under the wing of the so-called general government, farm the outports, so to speak, for their own advantage, and have so enormously overweighted the ordinary productive capacity of this fishing colony with the extraordinary expenditure superimposed upon the producers, that the outside members of the body, whose soul and centre is St John's, are literally consumed by the trunk. When that part of the population which contributes a million and a-half of dollars gets less than half a million's worth of government benefits, or, to put it another way, when that portion of the population which produces the whole export revenue of the colony, and gets only about the same extent of return as a hundred years ago, is required to contribute £400,000 of *extra* taxation, it is quite easy to see that sometime or other a "breakdown" must ensue.

There is another element in this question of commercial and financial 'breakdown' which reveals itself in connection with a comparison of our annual imports and exports. Not having other figures by me, I am confined for this purpose to the recorded imports and exports in the NEWFOUNDLAND YEAR BOOK for the eleven years, 1877 to 1887, both inclusive. The combined totals for these eleven years are as follows:—

Imports	...	...	...	\$79,016,732
Exports	...	...	...	67,239,457
				<hr/>
Difference	...	...	...	<u>\$11,777,374</u>

The question naturally arises where did we get the money to make this excessive import of nearly TWELVE MILLIONS of dollars in eleven years? Of course part of it has been got by increasing our public debt, and part of it *may be* represented by incorrect figures, but at all events it indicates an almost total absence of money saved and banked within the Colony. This tallies with such other facts as are known to us, for, while our savings, as banked, for the last 50 or 60 years, did not exceed \$15 per head of the population, these savings, to the extent of at least five or six millions of dollars have been spent—have gone into general circulation, in

the first instance, and ultimately have been sent out of the country—to buy goods against their owners' will.

* * * * *

I set forth these facts and statements as an humble but earnest contribution towards the solution of the problem which now confronts us. I have written of it because I find that writing of it best opens up an intricate subject to the mind, and I publish the result of my researches in pamphlet form because party lines are so tightly drawn here just now that I am precluded from publishing them in any of the ordinary newspapers of the country without seeming to tincture the publication with political bias. I have specially referred to the year 1882 and the introduction of the railway project, not because I believe the adoption of that new departure was the cause of our commercial disasters, which it was not. On the contrary the railway policy was adopted, I believe, as a sincere attempt to provide a solution of the very same problem that met us in 1882. That it has not unfortunately proved a remedy for the disease is now, after ten years' experience, but too apparent, and the worst of the matter is that, by the adoption of railway expenditure, we have cut off from ourselves those means of retrieval that lay open to us twelve years ago. It is impossible to believe that this possibility was not foreseen; but whether or not, the fact remains that our problem has come back to us as unsolved as it was in 1882.

It is now proposed to call in a professional expert in "political economy" to diagnose the case and tell us wherein our evils lie. Such an investigator, if he be a qualified one, will discover just such facts as are herein set forth, and the conclusions he arrives at will be founded on these facts. He will see the difficulties that confronted us in 1882, when the two roads lay open before us to which I have already referred—the road of trying to run out of the fog, after the manner of fast Atlantic "liners," by accelerating the rate of speed: of trying to provide for want of capacity to meet expenditures by increasing them, and of endeavoring to pay old debts with new ones. This alternative had much to recommend it on the surface, as it substituted stimulation for stagnation, life for death, progress for poverty. It would keep the country in active existence on the old lines for some years longer at all events, and it has done so. But the end has come at last, and now what next?

There are three alternatives open to us, and by many people they are regarded as a choice of evils: (1) To remain as we are; (2) To become a Crown Colony; (3) To enter Confederation.

As to the first of these alternatives, it involves the abandonment of further railway expenditure for the present, the reduction of our civil expenditure to a point below the million dollar notch, and the imposition of as high a degree of taxation as our attenuated population and resources will bear,—the object being to lay by regularly, under strict supervision, at least one-third of our annual income, to form a sinking fund for the redemption of our past liabilities. This in time may get us back to something like the condition of sound public finance we occupied twelve years ago.

As to the second alternative, it is not probable that Great Britain will encumber herself with the management of this as an isolated Colony, and, therefore, the middle course suggested is simply an euphemism for one or other of the other alternatives, or probably for both.

As to the third, if the Canadian Government, with the assistance of the imperial proprietors of this Colony, can persuade Canadian taxpayers to assume Newfoundland, plus half her present population, and twenty million dollars of debt, she will have the future privilege of solving the problems that now afflict us, without being hampered by the restrictions that the *fancied* demands of universal suffrage and democratic necessities impose upon our own legislators. Even then the conditions imposed upon us by ourselves under the first alternative, *i. e.*, the economic retrenchment involved, will be the only beneficial results of that change, whilst the ‘otherwise’ results will be such as the Israelites of old fled from and the Egyptians enjoyed. People do not rule slaves for nothing, politically or any other way; and the larger door opened to the ambition of the few may mean the permanent isolation and abandonment of this Colony to the condition of a primitive fishing station, occupied at the beginning of this century. It would be strange, indeed, if the rounded Victorian cycle that has brought so much expansion to larger states and all civilization should wind us up like the sculptured snakes of mythological Egypt—with our tail in our mouth, our mouth in the dust, and the ring of a surrendered political independence around all.

**Population of Newfoundland at different periods from
1823 to 1891.**

1823	52,157
1828	58,088
1836	75,094
1845	98,703
1857	124,288
1869	146,536
1874	161,436
1884	197,335
1891	202,040

**Number of Foreign Vessels arrived at Newfoundland at
different periods from 1822 to 1842.**

(FROM PHILIP TOCQUE'S "WANDERING THOUGHTS.")

	Vessels.	Tons.
1822	749	81,022
1823	753	84,478
1826	851	93,406
1827	786	90,380
1829	791	91,030
1830	828	94,421
1831	877	96,569
1832	892	95,242
1834	848	108,548
1836	800	98,830
1839	861	91,661
1840	1,005	112,181
1841	964	114,200
1842	1,043	118,679

**Number of Seals taken in Newfoundland at different periods
from 1814 to 1842.**

(FROM P. TOCQUE'S "WANDERING THOUGHTS.")

1814	156,000
1815	141,370
1820	221,334
1825	221,510
1830	300,681
1831	559,342
1832	442,003
1833	384,699
1834	360,155
1835	557,490
1836	384,321
1838	375,361
1839	631,385
1840	412,641
1841	417,115
1842	344,683

Newfoundland Trade, &c., at beginning of Century.

(FROM PHILIP TOCQUE'S 'WANDERING THOUGHTS,' PUBLISHED IN 1846.)

	Imports.	Exports.
1822 ..	£867,752 stg.	£729,198 stg.
1826 ..	512,443	752,305
1827 ..	889,261	764,586
1830 ..	768,416	685,680
1831 ..	829,353	803,532
1834 ..	618,757	826,659
1836 ..	579,799	808,066
1838 ..	* 600,000	788,629
1839 ..	710,558	901,385
1840 ..	784,045	983,961
1841 ..	800,423	952,555
1842 ..	694,337	844,375
12 years	£8,655,144	£9,840,931
Average imports each year	.....	£721,262 stg.
Equal to	.....	\$3,462,056
Average exports each year	.....	£820,078 stg.
Equal to	.....	\$3,936,372
Yearly excess of exports equal to	.....	\$474,316

* This year the value of imports not being given by Mr. Tocque, I have estimated the same.

Newfoundland Exports for eleven years from 1879 to 1889, inclusive.

(FROM THE NEWFOUNDLAND YEAR BOOK.)

	Value.
1879 ..	\$5,918,924
1880 ..	5,635,797
1881 ..	7,818,880
1882 ..	7,001,222
1883 ..	7,058,738
1884 ..	6,567,135
1885 ..	4,726,608
1886 ..	4,862,351
1887 ..	5,176,730
1888 ..	6,582,013
1889 ..	6,122,385
The value of exports in 1877 was	6,841,582
The value of exports in 1878 was	5,630,891

The average of these thirteen years is between six and seven millions.

In 1835 the expenditure in connection with the building of the railway had ceased. The three previous years, it will be perceived, during which the railway was being built, were good years. So was the year 1881, immediately preceding the railway era.

The population in these years ranged from 150,000 to 180,000 people.

**Public Debt of Newfoundland for thirteen years, from
1877 to 1889.**

(FROM THE NEWFOUNDLAND YEAR BOOK.)

1877	.....	.....	.....	\$1,320,652
1878	.....	.....	.....	1,347,692
1879	.....	.....	.....	1,451,290
1880	.....	.....	.....	1,450,990
1881	.....	.....	.....	1,350,508
1882	.....	.....	.....	1,498,777
1883	.....	.....	.....	1,549,3 3
1884	.....	.....	.....	2,149,1 13
1885	.....	.....	.....	2,149,5 7
1886	.....	.....	.....	2,288,3 11
1887	.....	.....	.....	3,005,0 10
1888	.....	.....	.....	3,335,5 39
1889	.....	.....	.....	4,133,2 12

In 1884 and 1885 the railway debt began to accrue, and in 1885 and 1886 the exports fell from an average of \$7,000,000 in the four preceding years to an average of less than \$5,000,000 in 1885, 1886 and 1887.

The population in these years ranged from 150,000 to 180,000 people.

**Value of Exports and Public Debt from 1890 to 1894, both
inclusive.**

(FROM THE NEWFOUNDLAND YEAR BOOK.)

				Value of Exports.
1890	.....	.....	.....	\$6,091,636
1891	.....	.....	.....	7,437,158
* 1892	.....	.....	.....	5,651,116
1893	.....	.....	.....	6,280,912
1894	.....	.....	.....	not yet obtainable.
				Public Debt.
1890	.....	.....	.....	\$4,138,627
1891	.....	.....	.....	5,223,363
* 1892	.....	.....	.....	7,009,749
1893	.....	.....	.....	9,091,395
1894	.....	.....	.....	11,124,877

* Year of the last extensive fire in St. John's.

Population, according to Census of 1891, whole Island, except Labrador :

Males	.....	.....	.....	100,775
Females	.....	.....	.....	97,159
Labrador	.....	.....	.....	4,106

Total 202,040 people.

Of these 79,920 under 15 years of age.

Average Imports for a series of years will be found on page 15.

